CSI Coalition of Service Industries

CAFTA ALERT

The U.S. - Central America - Dominican Republic Free Trade Agreement: A winner for services

The U.S.-Central America – Dominican Republic Free Trade Agreement provides substantial benefits for U.S. service providers, including new market access for a broad range of US services industries to a growing market of nearly 45 million consumers.

The Agreement demonstrates to other developing countries that commitments to liberalization and internal economic reform are necessary for economic development, higher standards of living, and global competitiveness.

Therefore, we urge that your boss vote YES on this critical agreement.

CAFTA contains important provisions for services-related investment, regulatory transparency, and for trade in key service sectors:

- Liberalization on a "negative list" basis—ensures truly comprehensive coverage and that new services are automatically free, which is particularly important in the services sector where new services are regularly being created (ie: the rapidly evolving computer services sector).
- Promotes secure and predictable legal framework for U.S. investors; particularly important because a local presence is often needed to supply services.
- Reduces barriers and ensures protection of U.S. investment.
- Protects the legitimate exercise of each government's regulatory authority to protect "public welfare objectives, such as public health, safety, and the environment."
- Provides for a high standard of transparency in administrative, licensing, and adjudicatory proceedings; a necessity for services industries because they generally are the most highly regulated.

The Agreement includes comprehensive provisions for new liberalization and market access across a broad range of service industries such as:

- *Accounting Services:* Provides for US accountants to obtain local qualifications and licenses on a reciprocal basis.
- *Architecture:* Provisions on the development of professional standards and temporary licensing and review provide for equity and reciprocity. Provides access to the Central American markets while promoting capacity building.
- *Asset Management Services:* Provides legal certainty that US asset management firms will be afforded national treatment, non-discrimination and the right of establishment. Permits cross-border provision of portfolio management services by asset managers of mutual funds.
- *Audiovisual Services:* Provides for strong intellectual property protections, and

strengthened enforcement. Includes important provisions to ensure market access for US films and television programs over a variety of media.

- *Computer and Related Services:* Ensures full market access and national treatment. Covers all modes of delivery, including electronic delivery.
- *Electronic Commerce:* Establishes concept of "digital products"; prevents application of customs duties on electronically-delivered digital products; assures non-discriminatory treatment of digital products; addresses the valuation of physically delivered digital products; and provides commitments to cooperate on electronic commerce policy.
- *Energy Services:* Provisions on regulatory transparency and investment provide opportunities for U.S. energy services firms and facilitate the provision of energy services.
- *Express Delivery Services (EDS):* Includes an appropriate definition of EDS. Contains important commitments to maintain market access for the industry and to facilitate customs clearance (critical to the efficient operation of express carriers).
- *Financial Services (other than insurance and asset management):* Contains important provisions relating to branching, pension management and regulatory transparency.
- *Insurance:* Commitments are significant improvements over current WTO obligations. All major aspects of insurance and key cross border insurance products and services are covered.
- *Legal Services:* Preserves ability of U.S. lawyers to serve as foreign legal consultants or otherwise to provide advice and assistance.
- *Telecommunications:* Includes new market access commitments, including cross-border obligations, and new international cost-oriented interconnection obligations for fixed traffic (although mobile services are excluded from this obligation). Commits to provide access to and use of telecommunications networks, and commitments for fixed services, including competitive safeguards, interconnection, universal service, licensing, independent regulator, and allocation of scarce resources.
- *Vessel Repair:* Provides for elimination of the 50% U.S. tariff on vessel repairs performed in the Central American countries, eliminating a significant burden on U.S. shipping companies that require repair work when servicing foreign markets.